



## Senate Health Policy Committee

Comments on SB 693  
Michigan Insurance Exchange (MI Marketplace)

November 3, 2011

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11/3/2011

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## MAHP: Who We Are

***MAHP Mission is to provide leadership for the promotion and advocacy of high quality, affordable, accessible health care for the citizens of Michigan.***

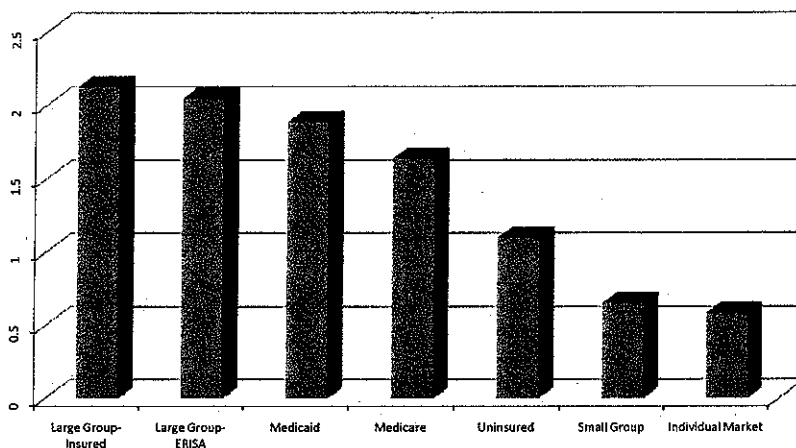
- MAHP represents 16 health plans covering all of Michigan and 45 related business and affiliated organizations
- MAHP Member Health Plans provide coverage for nearly 2.8 million Michigan citizens—nearly one in every three citizens in Michigan
- MAHP Health Plans employ about 8,000 persons—all of whom pay taxes in Michigan.
- MAHP members collect and use health care data, supports the use of "evidence based Medicine " and facilitate disease management and care coordination in order to provide cost-effective care.

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## Coverage for Michigan Citizens (Millions)



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## Exchanges, Mandates and Subsidies

*The development of the "Exchange" is one of the most critical issues for health plans as it will change the way individual and small group products are marketed and sold.*

- Exchanges are initially for the individual and small group market
- The provisions for subsidies for those below 400% of poverty and credits for small business is directly linked to obtaining coverage through the Insurance Exchange.
- Will it be a state governmental agency or nonprofit entity?
- Will it be formed as a Market Organizer or Active Purchaser?
- Input in the design phase will be very important
- The Insurance Exchange is to be operational by January 1, 2014

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## MAHP Vision on Exchange

“Consumers will be enabled to make informed decisions regarding health insurance coverage and insurers will be able to freely compete in an equitable marketplace that encourages innovation, quality and price competitiveness.”

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## MAHP Vision—Insurance Exchange

- **A Michigan Decision**

*The determination of what the Insurance Exchange will look like **should and must be a Michigan decision** and not one forfeited to the Federal Government—a point reaffirmed by a majority of Michigan citizens in polling commissioned by MAHP in January and September this year.*

- **Urgency for Operational/Development**

*The requirement to have an operational exchange by January 1, 2014 places in motion many operational decisions that must be in place over the next 12-24 months—all dependent on enabling legislation and subsequent decisions.*

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## MAHP Vision—Insurance Exchange

- **Exchanges will be a new addition for consumers to seek health insurance—but will not be the only means**

*Therefore, there will remain a clear need to coexist with the existing channels for public and private health care coverage*

- **Take Advantage of Resources**

*Michigan should continue to seek federal assistance to provide resources for Michigan to begin the operation of an Exchange.*

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## MAHP Vision—Insurance Exchange

- **Minimalist Approach**

*Because of the dynamics underway in health care overall, and the uncertainty of future federal guidance, Michigan enabling legislation should only address the essential issues at this point and be based on a premise of what makes sense for Michigan.*

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## Enabling Legislation Recommendations

- **Enabling legislation** should establish the Exchange as a **market organizer**
- **Enabling legislation** should facilitate co-existence of individual and small group market inside and outside an “exchange”.
- **Enabling legislation** should promote annual and special open enrollment periods to guard against adverse selection.

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## Enabling Legislation Recommendations

- **Enabling legislation** should limit health plan participation in Michigan Exchanges to authorized HMOs, licensed commercial insurers and BCBSM and only those other entities specifically guaranteed participation under the ACA.
- **Enabling legislation** should prohibit any additional requirements for health plans beyond that of the ACA and current state licensing requirements to be an “Exchange qualified health plan.”

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## Enabling Legislation Recommendations

- **Enabling Legislation** should advocate that current and well-respected industry assessment tools be used rather than establishing new standards.
- **Enabling legislation** should specify how the Exchange will be financially sustained.

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## Enabling Legislation Recommendations

**Enabling legislation** should assure that a decision-making process is in place to address such issues as:

- *Determination regarding implementing a “**Basic Health Plan**” option*
- *Application of **Risk Adjustment** methodologies*
- ***Selection of Technology** for accessing the Exchange*
- ***Financial analysis** and cost projections*

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## Reaction to SB 693

*SB 693 addresses many of the issues raised by MAHP and members in over the past months. However we have provided proposed changes that we believe strengthen the legislation. These changes include:*

1. **Narrow the purpose of the act** The bill does not actually contain an explicit statement of the purposes of the act however, Sec 101 says that the marketplace under this act is a *nonexclusive health insurance clearinghouse and that the marketplace shall foster a competitive market for health insurance in this state*. If the latter is taken to be the purpose of the act, not just the purpose of the marketplace, then it could justify quite broad market intervention and management by the non-profit governing entity.

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## Reaction to SB 693

2. **Board composition and/or advisory committee**: We support amending section 201(12) to require the board to establish and utilize advisory committees for specific key areas, e.g. adverse selection, risk adjustment, basic health plan options, finances, etc. In particular, the bill should be amended to require the marketplace board to establish a risk adjustment advisory committee. We have also offered language to tighten the requirements on board selection to assure there are no conflicts of interest.
3. **Special and open enrollment**. There was concern that the bill did not specify limits to be placed by the Exchange on annual and special open enrollment periods and we have proposed language on this issue.

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## Reaction to SB 693

4. **Assessments and fees.** We are suggesting that Section 217(2) be revised to specify that any assessments charged to QHP issuers by the marketplace must be proportional to the amount of business they do and must be treated as regulatory fees for purposes of MLR calculations.
5. **Premium aggregation and payment & eligibility determination.** These are areas where the ACA and the proposed federal Exchange rules allow states to exercise considerable discretion, yet this bill doesn't do that. We are suggesting that it should be amended to specify and delimit the marketplace's role in these areas.
6. **Minimize regulatory duplication.** Sec 215 of the bill deals with the certification of QHP issuers. We support the requirement that the marketplace contract with OFIR to certify QHPs but also have concern that there was no mention of limiting the certification standards to those already in use in the marketplace and state law.

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## Reaction to SB 693

7. **In good standing - take sanctions out.** Sec 215(1) (b) is of special concern. It says that the OFIR commissioner shall certify a health benefit plan if, as determined by the commissioner after the effective date of this act, the requirements of the federal act have changed substantially and the health benefit plan is offered by a carrier that is licensed or has a certificate of authority and is in good standing to offer the health benefit plan to all residents of this state. **Since HMOs operate in service areas that do not serve all residents of this state, this provision would disadvantage them.** We are suggesting amendments to certify QHP that have "a license or certificate of authority in good standing under the laws of this state."

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## Reaction to SB 693

- 8. **Should rating QHPs be a function of the exchange?** Sec 205 requires the marketplace board to develop criteria for rating each qualified health plan. However, such criteria already exist, e.g. HEDIS, NCQA, and other, etc. We are suggesting amending this section to require the board to utilize existing quality rating resources to provide comparative information on relative value and quality.
- 9. **Role of co-ops and multi state plans.** We are suggesting that the bill be amended to specify how the marketplace would deal with co-ops and multi-state plans.
- 10. **Basic health plan coordination.** We are suggesting that the bill be amended to specify that the marketplace would coordinate eligibility and enrollment functions with a basic health plan, if Michigan enacts one.

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## REGULATORY ENVIRONMENT

*The development of the Insurance Exchange will provide the opportunity, if not imperative to establish the regulatory environment that will enable all carriers to fairly compete for business.*

- Michigan will need to **amend Insurance Code** (Chapters 34,35,36,37) for consistency on benefits and mandates
- Michigan will need to **amend PA 350** to address similar issues and to repeal provisions in light of changes in insurer of last resort obligation for all carriers.
- Mandates beyond the essential benefits identified for the Exchange will be at State Expense.

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For more information on health  
reform, please visit MAHP's website  
**[www.mahp.org](http://www.mahp.org)**

For an electronic version of the MAHP White Paper on  
the Insurance Exchange please visit  
**<http://www.mahp.org/resources/whitepapers/June2011.pdf>**



# Michigan Association of Health Plans

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## **MAHP VISION FOR A MICHIGAN INSURANCE EXCHANGE:**

*"Consumers will be enabled to make informed decisions regarding health insurance coverage and insurers will be able to freely compete in an equitable marketplace that encourages innovation, quality and price competitiveness."*

## **KEY POINTS FROM THE MAHP WHITE PAPER**

1. The determination of what the Insurance Exchange will look like should and must be a Michigan decision and not one forfeited to the Federal Government.
2. Enabling Legislation that makes sense for Michigan in the development and enactment of an Insurance Exchange should be enacted. The requirement to have an operational exchange by January 1, 2014 places in motion many operational decisions that must be in place over the next 12-24 months—all dependent on enabling legislation.
3. The National Association of Insurance Commissioners, NAIC, has developed model legislation and **MAHP is recommending that to be used as the framework with additional considerations outlined in the MAHP White Paper.** Further, MAHP recommends that enabling legislation take the minimalist approach. That is, because of the dynamics underway in health care overall, and the uncertainty of future federal guidance, Michigan enabling legislation should only address the essential issues at this point:
4. The Snyder Administration should continue to seek federal assistance to provide resources for Michigan to begin the operation of an Exchange.
5. The development of the Insurance Exchange will provide the opportunity, if not imperative to establish the regulatory environment that will enable all carriers to fairly compete for business.
6. Exchanges will be a new addition for consumers to seek health insurance—but will not be the only means of acquiring health insurance. Therefore, there will remain a clear need to coexist with the existing channels for public and private health care coverage.
7. **Desired Characteristics of the Insurance Exchange:**
  - An Exchange must recognize the "local" nature of delivery of care;
  - An Exchange must allow regional differences to be reflected in choices for customers, including choice of health plan;
  - An Exchange must create an attractive risk environment;
  - An Exchange must be operated efficiently and with dedication toward serving unique markets and customers; and
  - An Exchange should start small—build on success.

## **MAHP Enabling Legislation Recommendations**

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